WINPAK

ANNUAL REPORT

1999

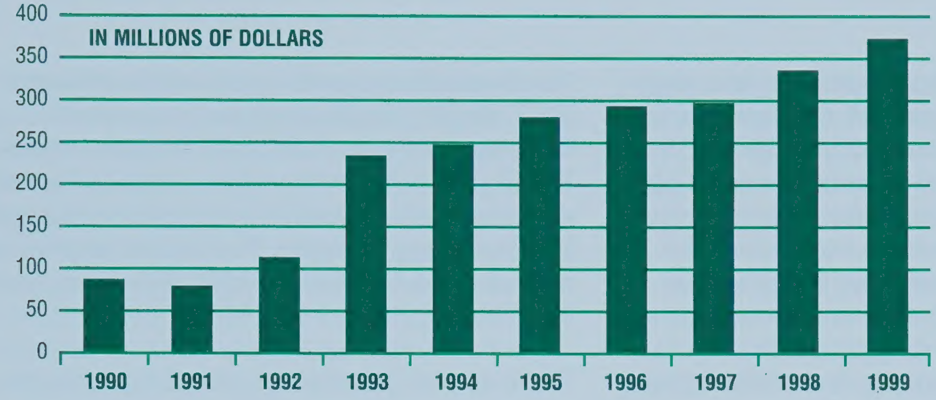
TOTAL PACKAGING SOLUTIONS

Winpak operates eleven production facilities in Canada and the United States of America and is part of a global packaging group. Each manufacturing unit is committed to either the manufacture of high-quality packaging materials or the production of innovative packaging machines. The Company's products are used for the protection of perishable foods, beverage and dairy products, and for use in non-food markets such as pharmaceutical and complex industrial applications. Winpak is dedicated to enhancing its global competitiveness through investments in advanced technology, internal growth, acquisitions and strategic alliances.

FINANCIAL HIGHLIGHTS

Years ended December 31	1999	1998	1997	% Change 99/98
Operating Summary ($'000)				
Sales	**374,011**	336,397	300,060	11.2
EBITDA	**55,876**	51,093	38,640	9.4
EBITA	**35,852**	32,232	23,118	11.2
EBAAT	**20,683**	17,830	12,905	16.0
Net earnings	**16,629**	16,138	11,943	3.1
Financial Position ($'000)				
Working Capital	**40,425**	32,753	35,788	23.4
Fixed Assets	**141,519**	126,437	103,740	11.9
Total Assets	**290,330**	254,737	221,829	14.0
Long-Term Debt	**65,294**	55,911	58,362	16.8
Shareholders' Equity	**141,682**	131,601	115,244	7.7
Per Share				
EBITDA	**8.60**	7.86	5.94	9.4
EBAAT	**3.18**	2.74	1.99	16.0
Net earnings	**2.56**	2.48	1.84	3.1
Cash Flow from Operations	**6.37**	5.70	4.38	11.8
Book Value	**21.80**	20.25	17.73	7.7
Ratios				
Net return on Opening Shareholders' Equity	**12.6%**	14.0%	11.5%	
Return on Opening Investment	**15.8%**	17.2%	16.1%	
Current Ratio	**1.5:1**	1.5:1	1.7:1	
Total Long-Term Debt to Equity	**.46:1**	.42:1	.51:1	
Operating Margin	**18.6%**	18.6%	15.9%	
Share Price				
High	**70.00**	49.00	44.00	
Low	**46.00**	36.00	33.00	

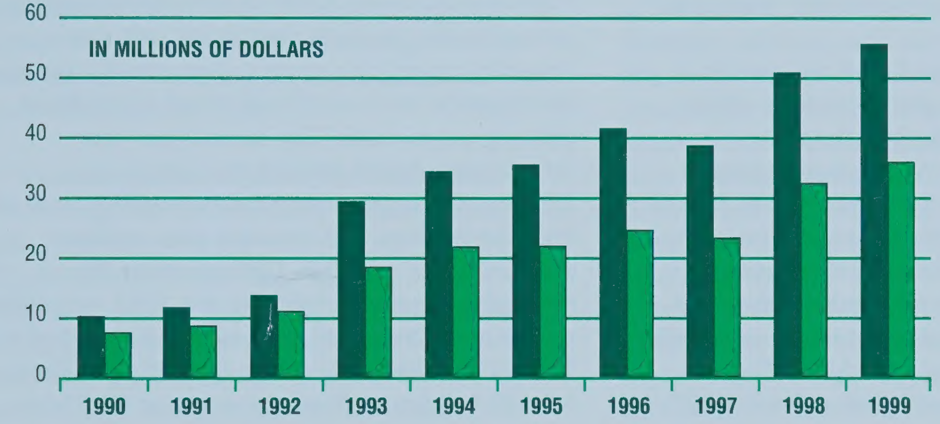
SALES



Compounded Annual Growth Rate 1990-1999

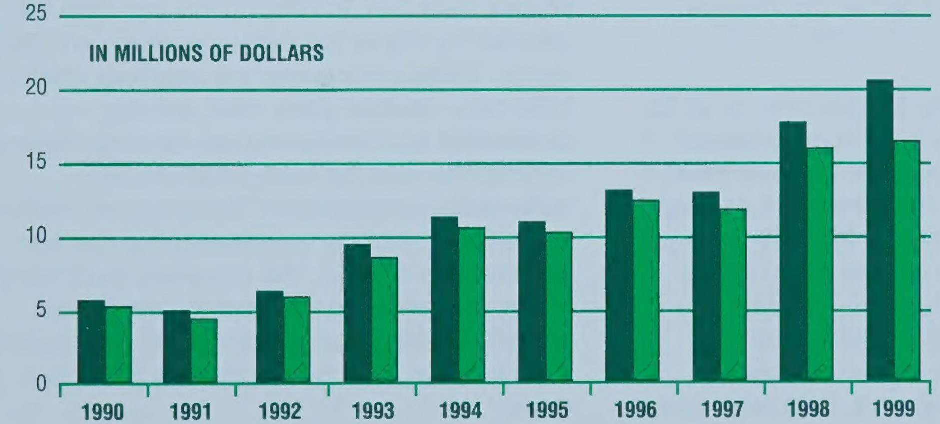
17.9%

EBITDA (1) & EBITA (2)



EBITDA 21.2%
EBITA 19.8%

EBAAT (3) & Net earnings



EBAAT 15.3%
Net earnings 13.3%

(1) Earnings before interest, taxes, depreciation and (goodwill) amortization.
(2) Earnings before interest, taxes and (goodwill) amortization.
(3) Earnings before (goodwill) amortization after tax.

1999 was a year of significant achievements. For the second consecutive year, double-digit revenue growth contributed to record net earnings. American Biaxis Inc., the 51.0 percent owned joint venture with Nichimen Corporation, achieved commercial production with the introduction of a unique, high-quality specialty film. All expansion projects planned for 1999 were successfully completed, thereby advancing production technology, increasing capacity, and providing the foundation for continued growth. The investments made during the past few years ensure Winpak will continue to be an efficient, low-cost manufacturer of innovative packaging materials.

Sales for the year increased 11.2 percent to $374.0 million. Over the past two years, sales increased $73.9 million, or 24.6 percent, representing impressive market-share gains in segments of the packaging market where annual composite growth is approximately 4.0 percent. Capital expenditures in the past three years of $100.1 million have been directed to advanced production technology that reduced per unit costs and generated exciting new products. The Company closed the decade with sales in 1999 representing a compounded annual growth rate, since 1990, of 17.9 percent. Winpak is positioned to continue market-share gains that will translate into volume increases well above the average growth rate in the market.

Net earnings in 1999 were $16.6 million, or $2.56 per share, representing a 3.1 percent increase over net earnings reported in the previous year. However, net earnings in 1999 included a charge of $1.3 million, after tax, due to the restructuring costs associated with the closure of the Bristol, Pennsylvania plant. Furthermore, goodwill amortization increased $2.5 million, after tax, primarily due to a change in the amortization period regarding the Company's 1988 acquisition. Net earnings for the year ended December 31, 1999, when adjusted for these items, were $20.4 million, or $3.14 per share, representing an increase of 26.7 percent above comparable net earnings in 1998.

The Bristol, Pennsylvania plant will be closed in 2000 and all production will be relocated to facilities in Chicago, Illinois and Rexdale, Ontario. The closure is the initial step in a plan to improve efficiency and competitiveness regarding the rigid food containers business. The annual savings, as a result of the closure, are estimated to approach the one-time cost.

The forty-year amortization period regarding the subsidiary acquired in 1988 was concluded to be excessive considering current trends in both the packaging industry and the accounting profession. Furthermore, it was felt that a shorter amortization period for the goodwill associated with this acquisition would be more in line with the ten-year amortization term employed for all acquisitions subsequent to 1988. The current ten-year amortization policy reflects the Company's conservative approach to the determination of its financial position and is sound and realistic accounting for goodwill. Consequently, the remaining goodwill relating to the 1988 acquisition will be amortized over five years commencing in 1999. The additional charge to 1999 operations was $2.1 million with no tax relief, or $0.32 per share.

The agreement regarding the 1997 acquisition of Winpak Heat Seal Packaging Inc. provided the potential for higher consideration based on 1999 results. Sales achieved by this business unit in 1999 have doubled since 1997 and the contribution to consolidated net earnings exceeded expectations and the level established for incremental consideration. Therefore, an additional $5.5 million purchase consideration is due and payable April 1, 2000. The Company recorded the liability and began to amortize the additional goodwill in 1999. The resulting 1999 amortization of $0.4 million, after tax, represents $0.06 per share.

Capital expenditures in 2000 will exceed the record $39.1 million spent in 1999. Both the Winnipeg and Chicago plants will again be expanded to house new production equipment

scheduled for installation in 2000 and 2001. A new state-of-the-art, multi-layer coextrusion line is planned for Senoia, Georgia. Production capacity will be increased in Montreal to support the growth momentum of Winpak Heat Seal Packaging Inc. Capital expenditures during the four years ending December 31, 2000 will exceed $140.0 million and demonstrates our confidence that Winpak is firmly established on a sound technical base, which can be expanded to continually introduce new products and seek new applications and markets.

Cash flow from operations during the past three years was $106.9 million. The capital expenditure program required no outside financing. Capital expenditures in 2000 will be financed substantially through internal cash flow.

Our financial position is strong with total debt representing only 51.0 percent of shareholders' equity. Financial strength will improve further in 2000 as cash flow from operations is again expected to exceed capital expenditures. Winpak's ability to generate internal resources for both acquisitions and expansion is demonstrated by growth in EBITDA. In 1990, EBITDA was $9.9 million and by 1999 had grown to $55.9 million representing a compounded annual growth rate of 21.2 percent. The Company's strengthening financial position provides for aggressive internal growth and the potential to pursue acquisition opportunities.

As we look to the year ahead, we are excited by the opportunities to continue moving the revenue line higher. Our anticipation of above-average growth reflects a strong sales and marketing organization, a focus on the needs of our customers and first class technology that allows us to respond appropriately to the changing demands of the market. We will continue to benefit from strategic alliances with successful customers that are skilled in market penetration and new product introductions. In 2000, fixed costs, including depreciation and amortization, will change little from 1999 and consequently increased sales will directly and favourably impact net earnings. Pre-production and restructuring costs, which amounted to $3.9 million in 1999, are not expected to recur in 2000. Furthermore, the closure of the Bristol facility will favourably impact 2000 results. In summary, net earnings in 2000 should reach new levels for the third year in succession.

J. R. Lavery
President and Chief Executive Officer
Winnipeg, Canada
February 29, 2000

Winpak Ltd. manufactures and distributes high quality machines and packaging materials for the protection of perishable food, beverage and dairy products, and for use in non-food markets such as pharmaceutical and complex industrial applications.

NET EARNINGS

Net earnings for the year of $16.6 million or $2.56 per share increased by $0.5 million or 3.1 percent from the $16.1 million or $2.48 per share reported in 1998. Earnings before goodwill amortization and after tax rose to $20.7 million or $3.18 per share in 1999 from $17.8 million or $2.74 per share in 1998, representing an increase of 16.0 percent.

In 1999, net earnings included total goodwill amortization of $4.1 million, net of tax, or $0.62 per share, which was $2.5 million, or $0.38 per share, higher than 1998. The Company reassessed the estimated useful life of goodwill relating to a subsidiary acquired in 1988 and concluded that the forty-year amortization period was excessive considering current trends in both the packaging industry and the accounting profession. Consequently, the remaining goodwill relating to this subsidiary is being amortized over five years at $2.4 million per year, with no tax effect, commencing in 1999. For 1999, the additional goodwill amortization is $2.1 million, or $0.32 per share. Furthermore, the Company determined that additional consideration of $5.5 million is due and payable in 2000 under terms of the 1997 agreement regarding the acquisition of Winpak Heat Seal Packaging Inc. Accordingly, the Company recorded the liability in 1999, resulting in additional goodwill amortization of $0.4 million, net of tax, or $0.06 per share.

In 1999, earnings were charged with restructuring costs of $1.3 million, net of tax, or $0.20 per share, relating to the closure in 2000 of the Company's facility in Bristol, Pennsylvania. The restructuring costs are comprised of severance and other employee related costs. All production equipment will be transferred to the Company's facilities in Chicago, Illinois, and Rexdale, Ontario. The Company's Bristol premises will be sold and proceeds are expected to exceed book value.

The table below presents net earnings for the year ended December 31, 1999, as well as adjustments for additional goodwill amortization and restructuring costs. Adjusted net earnings were $20.4 million or $3.14 per share, representing an increase of 26.7 percent above the comparable 1998 net earnings.

ADJUSTED NET EARNINGS

	1999		1998	
	$ millions	$ per share	$ millions	$ per share
Net earnings as reported	$16.6	$2.56	$16.1	$2.48
Adjustments:				
Additional goodwill amortization	2.5	0.38	-	-
Restructuring costs	1.3	0.20	-	-
Adjusted net earnings	$20.4	$3.14	$16.1	$2.48

OPERATIONS

Sales in 1999 increased by $37.6 million or 11.2 percent to $374.0 million from $336.4 million in 1998. Volume increases were registered in all market segments. Capital expenditures during the past three years of $100.1 million provided Winpak with the essential ingredients to focus on developing and expanding manufacturing capacity that supports the Company's core technical competency. An expanded sales and marketing organization, the introduction of new products and technically advanced manufacturing facilities established the platform for exciting sales growth both in the current year and beyond. The manufacturing and operating costs, as a percentage of sales, remained constant in 1999 and consequently the additional sales volume in 1999 contributed directly to the improved operating results in the year.

Operating margins, or sales less manufacturing and operating costs, increased to $69.4 million or 18.6 percent of sales in 1999, from $62.6 million or 18.6 percent of sales in 1998, representing an increase of 10.9 percent. The 1999 margin percentage remained unchanged from 1998, both for the Company as a whole and for major market segments. Winpak regularly reviews selling prices with reference to the competitive environment, the cost of raw materials and other factors. Raw material costs declined in the first quarter of 1999, but increased during the remainder of the year. The increases accelerated through the fourth quarter, especially for polyethylene and polystyrene. In the early part of the year, the Company's selling prices trended down, whereas prices increased later in the year, most notably during the fourth quarter. Due to production efficiencies generated by higher volumes, Winpak achieved higher margins during the earlier part of 1999, which offset the lower margins in the fourth quarter resulting from higher raw material costs. In addition, the Company was able to maintain a constant margin despite the start-up loss incurred by American Biaxis Inc. in the last six months of 1999.

Both pre-production costs and research and technical expenditures in 1999 remained at levels similar to 1998. The Company continues to expense pre-production costs associated with major expansion projects rather than capitalize those costs and amortize them over future periods. The Company is committed to continued research and technical expenditures directed at making new

packaging ideas a reality through advanced production technology.

Depreciation increased by $1.2 million in 1999 as new production lines at American Biaxis Inc., Winpak Films Inc. and Winpak Division achieved commercial production levels. Net interest expense increased a moderate $0.4 million in 1999. The increase resulted from additional long-term debt required during the year, which was partially offset by lower effective interest rates in 1999.

The Company includes the cost of all management incentives in manufacturing and operating costs. All incentives are paid in cash and no stock options are issued.

The effective tax rate in 1999 decreased to 37.2 percent from 38.2 percent in 1998. In 1999, a greater proportion of earnings arose in jurisdictions with lower effective tax rates.

CANADIAN DOLLAR

Sales in the United States represented approximately 75 percent of the business in both 1999 and 1998. The 1999 operating results reflect an average exchange rate of $1.491 Canadian dollars to one U.S. dollar compared to $1.480 in 1998, $1.383 in 1997 and $1.364 in 1996. The change in the exchange rate during 1999 increased sales by $2.1 million and had an insignificant effect on the Company's earnings per share. With respect to self-sustaining subsidiaries, the rate of translation of United States dollar denominated net assets into Canadian dollars decreased between December 31, 1998 and December 31, 1999, causing the cumulative translation account, included in shareholders' equity, to decrease by $3.9 million. In the prior year, the rate of translation increased, causing an increase in the cumulative translation account of $3.8 million.

CAPITAL EXPENDITURES

Capital expenditures of $39.1 million in 1999 were $3.7 million greater than in the prior year. The investments by American Biaxis Inc. accounted for $20.7 million of the total expenditures. Expansions and upgrades at Winpak Division and Winpak Films Inc. accounted for $6.1 million, while new computer hardware and software accounted for $2.4 million. The remaining expenditures were for productivity improvements and filling machines placed at customer locations.

CASH FLOWS

Cash flow from operations increased to $41.4 million from $37.0 million in 1998, representing an increase of $4.4 million. Working capital increased during the year by $14.7 million as a result of higher levels of sales and increased raw material costs. The additional working capital required in 1999 reduced cash flow before financing to $26.7 million. Cash flow before financing in 1998 was $32.0 million.

During 1999, the Company incurred additional long-term debt, after debt repayments, of $11.8 million compared to a reduction of long-term debt of $4.7 million in 1998. In 1999, the minority shareholder of American Biaxis Inc. participated in further financing in the amount of $5.7 million for a two-year total of $8.0 million.

FINANCIAL POSITION

The Company's financial position during 1999 remained strong. Total long-term debt at December 31, 1999, of $65.3 million represented 46.1 percent of shareholders' equity compared to total long-term debt of $55.9 million or 42.5 percent of shareholders' equity a year earlier. Part of the proceeds of the additional long-term debt was used to decrease short-term bank indebtedness in 1999 by $2.5 million to $7.0 million. As at December 31, 1999, short-term indebtedness represented a moderate 6.1 percent of the Company's current assets. Total long-term and short-term debt of $72.3 million as at December 31, 1999 represents 51.0 percent of equity compared to $65.4 million in 1998 or 49.7 percent of equity.

Winpak's strong financial position and cash flow provides the platform for continued expansion, enhanced manufacturing facilities, and the ongoing search for external growth opportunities. In turn, Winpak's continued internal growth provides increased financial returns. The Company improves operations and develops new products through the installation of new production lines and a continuing research and technical expenditure program. In 1999, the new production line at American Biaxis Inc. became commercial and is expected to become a contributor to cash flow in 2000 and to earnings by 2001. In addition, the decision to close the Bristol facility will allow the Chicago and Rexdale operations to become greater contributors to the Company's net earnings in 2000. Stabilizing raw material costs, competitive pricing policies and ongoing efficiencies achieved through volume growth will continue to add to the Company's cash flow and net earnings in 2000.

YEAR 2000 ISSUE

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. Although the change in date has occurred without any material issue arising so far, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the Company, including those related to customers, suppliers, or other third parties, have been fully resolved.

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and the information in the Annual Report are the responsibility of management. The financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these statements in accordance with Canadian generally accepted accounting principles. Financial information contained elsewhere in the Annual Report is consistent with that shown in the financial statements.

To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being reported, management has developed and maintains a system of internal controls. An integral part of the system is the requirement that employees maintain the highest standard of ethics in their activities. Internal audits are performed by employees of the Company to review and evaluate internal controls.

The Board of Directors, acting through an Audit Committee comprised solely of directors who are not employees of the Company, is responsible for determining that management fulfills its responsibilities in the preparation of financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. It meets regularly with financial management and the independent auditors to discuss internal controls, auditing matters and financial reporting issues and reports its findings to the Board. The Committee reviews the consolidated financial statements with management and the external auditors prior to submission to the Board for approval.

The consolidated financial statements have been audited on behalf of the shareholders by the independent external auditors, PricewaterhouseCoopers LLP, in accordance with Canadian generally accepted auditing standards.

J.R. Lavery
President and Chief Executive Officer

M.G. Johnston
Vice President and Chief Financial Officer

Winnipeg, Canada
February 4, 2000

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Winpak Ltd. as at December 31, 1999 and 1998 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants
Winnipeg, Canada
February 4, 2000

Consolidated Statements of Earnings and Retained Earnings
Years ended December 31, 1999 and 1998
(thousands of dollars, except per share amounts)

	1999	1998
Sales	$ 374,011	$ 336,397
Costs and Expenses		
Manufacturing and operating costs	304,654	273,847
Research and technical expenditures	9,557	9,465
Pre-production costs	1,807	1,992
Restructuring costs (note 3)	2,117	-
EBITDA	55,876	51,093
Depreciation	20,024	18,861
EBITA	35,852	32,232
Interest expense (net)	3,816	3,413
Provision for income taxes (note 9)	11,928	10,996
Minority interest	(575)	(7)
Earnings before goodwill amortization	20,683	17,830
Goodwill amortization, net of income taxes (note 4(a))	4,054	1,692
Net earnings for the year	16,629	16,138
Retained earnings, beginning of year		
As previously reported	78,297	64,759
Change in accounting policy - (note 4(b))	(925)	(925)
Restated	77,372	63,834
Dividends	(2,600)	(2,600)
Retained earnings, end of year	$ 91,401	$ 77,372
Earnings per share		
Earnings before goodwill amortization	$ 3.18	$ 2.74
Net earnings for the year	$ 2.56	$ 2.48

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets
December 31, 1999 and 1998
(thousands of dollars)

	1999	1998
		(restated)
Assets		
Current assets:		
Accounts receivable	$ 52,862	$ 44,211
Inventories	61,185	51,397
Prepaid expenses	1,757	1,736
	115,804	97,344
Property, plant and equipment (note 5)	141,519	126,437
Other assets (note 6)	9,895	7,916
Goodwill	23,112	23,040
	$ 290,330	$ 254,737
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ 7,009	$ 9,464
Accounts payable and accrued liabilities	55,008	45,114
Current portion of long-term debt	13,362	10,013
	75,379	64,591
Long-term debt (note 7)	51,932	45,898
Deferred credits	5,027	1,935
Deferred income taxes	7,562	6,661
Postretirement benefits	1,639	1,692
Minority interest	7,109	2,359
Shareholders' equity:		
Capital stock (note 8)	44,669	44,669
Retained earnings	91,401	77,372
Cumulative translation account	5,612	9,560
	141,682	131,601
	$ 290,330	$ 254,737

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____________ Director _____________ Director

Consolidated Statements of Cash Flows
Years ended December 31, 1999 and 1998
(thousands of dollars)

	1999	1998
Cash provided by (used in):		
Operations:		
Net earnings for the year	$ 16,629	$ 16,138
Items not involving cash:		
Depreciation	20,024	18,861
Goodwill amortization	4,657	2,171
Amortization - other	(724)	(388)
Deferred income taxes	1,040	260
Minority interest	(575)	(7)
Other	366	(17)
Cash flow from operations	41,417	37,018
Change in working capital:		
Accounts receivable	(9,832)	(6,201)
Inventories	(10,938)	(4,099)
Prepaid expenses	(95)	(21)
Accounts payable and accrued liabilities	6,149	5,337
	(14,716)	(4,984)
	26,701	32,034
Financing:		
Proceeds on long-term debt	42,826	4,406
Repayments on long-term debt	(31,057)	(9,091)
Dividends	(2,600)	(2,600)
Investment by minority shareholder in subsidiary	5,662	2,366
	14,831	(4,919)
Investments:		
Acquisition of property, plant and equipment	(39,077)	(35,411)
Decrease (increase) in bank indebtedness	2,455	(8,296)
Bank indebtedness, beginning of year	(9,464)	(1,168)
Bank indebtedness, end of year	$ (7,009)	$ (9,464)

Supplemental disclosure of cash flow information:

	1999	1998
Cash paid during the year for:		
Interest expense	$ 4,153	$ 3,962
Income taxes	$ 8,930	$ 8,076
Cash flow from operations per share	$ 6.37	$ 5.70

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Years ended December 31, 1999 and 1998
(dollar amounts in thousands)

1. **General:**

   Winpak Ltd. is incorporated under the Canada Business Corporations Act. The Company's principal business activities are the design, manufacture and sale of flexible and rigid packaging materials.

2. **Significant accounting policies:**

   (a) Principles of consolidation:

   The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company accounts and transactions have been eliminated on consolidation.

   (b) Revenue recognition:

   Sales are recognized upon shipment of products.

   (c) Inventories:

   Inventories are stated at the lower of cost (first-in, first-out method) and net realizable value.

   (d) Property, plant and equipment:

   Property, plant and equipment are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful life of the assets, commencing the date the assets are transferred into commercial production, as follows:

Buildings	20 – 40 years
Equipment	4 – 17 years
Filling machines	3 – 5 years

   (e) Goodwill:

   The excess of the acquisition cost of investment in a subsidiary over the Company's proportionate share of the underlying value of the net assets at the date of acquisition is recorded as goodwill. Goodwill is being amortized on a straight-line basis over 10 years, except as described in note 4 (a). Goodwill on contingent consideration is recognized when reasonable certainty is determined and is amortized from that date over the remaining term established for the initial goodwill. Goodwill is written down to fair value when declines in value are considered to be permanent based upon expected undiscounted cash flows of the respective subsidiary.

(f) Employee pension plans:

The Company maintains defined benefit and defined contribution pension plans. The pension expense for defined benefit plans is determined by actuarial valuations of pension plan assets and obligations. Current service costs are charged to earnings as they accrue, while past service amounts, experience gains and losses, and adjustments arising from plan amendments or changes in assumptions, are amortized to earnings on a straight-line basis over the expected average remaining service lives of plan members. For defined contribution plans, the pension expense is the annual funding contributions required under the plans.

(g) Postretirement benefits:

One of the Company's subsidiaries provides certain health care benefits for employees on retirement. The cost of these postretirement benefits is recorded on an accrual basis as determined by actuarial valuations (see note 4(b)).

(h) Deferred credits:

Investment tax credits are amortized on a straight-line basis over the useful lives of the related assets.

(i) Foreign currency translation:

The accounts of the Company's self-sustaining United States dollar denominated subsidiaries are translated into Canadian dollars using the current rate method. The temporal method is used to translate the accounts of all other foreign operations.

Under the current rate method, assets and liabilities are translated at the year-end exchange rate, sales and expenses are translated at the average exchange rate for the year, and unrealized exchange gains or losses on the net investment in self-sustaining subsidiaries are deferred and shown as a cumulative translation account in shareholders' equity.

Under the temporal method, monetary assets and liabilities are translated at the year-end exchange rate, other assets and liabilities are translated at historical exchange rates, depreciation and amortization are translated at the exchange rate in effect when the related assets were acquired, and sales and other expenses are translated at the average exchange rate for the year. The unrealized foreign exchange gain or loss arising on long-term debt is deferred and amortized over the term of the debt. Exchange gains and losses on translation are included in the Company's operating results.

(j) Pre-production and development costs:

Pre-production and development costs relating to major expansion projects are expensed in the period costs are incurred.

(k) Amortization of patents:

Patents are amortized on a straight-line basis over their economic lives of 8 to 17 years.

3. Restructuring costs:

During 1999, the Company instituted a restructuring plan relating to the closure of one of its manufacturing facilities. This plan includes the elimination of certain functions to consolidate and better align its manufacturing operations. The plan will result in the elimination of approximately 10 administrative and 80 manufacturing positions with severance and related exit costs of $2,117. The Company expects to make the cash outlays and complete the restructuring plan by the end of 2000.

As a result of the restructuring plan, real property with a book value of $4,492 is held for sale. This includes land and building of $470 and $4,022 respectively. Management is satisfied that proceeds of sale will be sufficient to cover the book value of these assets.

4. Accounting changes:

(a) Goodwill:

In conducting its periodic review of goodwill during the last quarter of 1999, management concluded that a 40 year amortization period associated with the Company's specialty films subsidiary was excessive based on relevant factors including: current trends in the accounting profession and the packaging industry and the fact that goodwill applicable to all other acquired subsidiaries of the Company is amortized on a straight-line basis over a 10 year period. As a result of the analysis, and giving consideration to the fact that 11 years had passed since the specialty films business was acquired, management decided to change the estimated useful life of the goodwill associated with this subsidiary and amortize the remaining balance over a period of 5 years beginning in the current year. The change reduced net earnings by $2,056 or 32 cents per share in 1999.

Goodwill amortization is net of income taxes of $603 in 1999 (1998 - $479).

(b) Postretirement benefits:

During the current year, the Company changed its accounting policy with regard to postretirement benefits. Previously, the Company recorded these costs as paid. The Company now accrues these costs in the year incurred. In accordance with generally accepted accounting principles, this change in policy has been applied retroactively and 1998 amounts have been restated accordingly. As a result of this change, postretirement benefits increased by $1,639 (1998 - $1,692), deferred income taxes were reduced by $684 (1998 - $706), retained earnings were reduced by $925 (1998 - $925) and the cumulative translation account decreased by $6 (1998 - $61). There was no effect on income in 1999 or 1998.

5. Property, plant and equipment:

	Cost	Accumulated depreciation	1999 Net	1998 Net
Land	$ 3,951	$ –	$ 3,951	$ 3,459
Buildings	35,597	6,783	28,814	23,753
Equipment	173,146	81,535	91,611	71,407
Filling machines	50,971	33,828	17,143	22,561
Construction in progress	–	–	–	5,257
	$ 263,665	$ 122,146	$ 141,519	$ 126,437

6. Other assets:

	1999	1998
Patents, net of amortization	**$ 3,973**	$ 4,704
Deferred pension costs	**3,598**	3,212
Income tax credits recoverable	**2,324**	-
	$ 9,895	$ 7,916

One of the Company's subsidiaries has income tax credits carried forward to reduce future income taxes payable. These income tax credits expire if not utilized by the following years (2005 - $396 and 2006 - $1,928).

7. Long-term debt:

Long-term debt of $65,294 (1998 - $55,911) with varying maturities to June 30, 2006, includes bank term loans of $29,504 U.S. (1998 - $19,900 U.S.). The interest rates on long-term debt are floating at the London Inter-Bank Offering Rate (LIBOR) plus 1/2% or at the bankers acceptances rate plus a 1/2% stamping fee except as disclosed in Note 10. The effective interest rate of the loans was 5.56% (1998 - 5.92%). A subsidiary's long-term debt of $6,500 U.S. (1998 – $0) is secured by a general security agreement on the subsidiary's assets.

Principal due within each of the next five years on long-term debt is as follows:

2000	$ 13,362
2001	14,100
2002	15,263
2003	8,257
2004	9,351

Interest costs on long-term debt for the year ended December 31, 1999 amounted to $3,612 (1998 - $3,540).

8. Capital stock:

Authorized:

Unlimited voting common shares

Issued and fully paid:

6,500,000 voting common shares

9. Provision for income taxes:

	1999	1998
Current	$ 10,369	$ 10,539
Deferred	1,559	457
Total provision for income taxes	$ 11,928	$ 10,996
Basic income tax rate	41.0%	41.0%
Rate reduction for manufacturing and processing	(4.8)	(4.5)
Permanent differences and other	1.0	1.7
Effective income tax rate	37.2%	38.2%

10. Financial instruments:

The carrying values of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, postretirement benefits and long-term debt approximate their fair values.

As at December 31, 1999, the Company had interest rate swap agreements with a notional amount of $4,584 (1998 - $4,836), which includes $1,100 U.S. (1998 - $1,200 U.S.) and with varying maturities to June 2002. These agreements convert floating rate debt, repriced quarterly, to fixed rate debt at an effective annual rate of 5.90% (1998 – 5.93%).

11. Employee pension plans:

The Company and its subsidiaries maintain several defined benefit pension plans. The actuarially determined present value of the accrued liabilities for accumulated pension benefits of these plans is $20,984 (1998 - $21,750). The market value of the pension funds' assets is $32,487 (1998 - $30,458).

12. Segmented information:

The Company has determined that it has one reportable operating segment: the design, manufacture and sale of flexible and rigid packaging materials. The Company operates principally in Canada and the United States.

The following summary presents key information by geographic segment:

	Canada		United States		Total	
	1999	1998	1999	1998	1999	1998
Sales	$ 92,262	$ 83,781	$ 281,749	$ 252,616	$ 374,011	$ 336,397
Property, plant and equipment, patents and goodwill	$ 99,078	$ 75,349	$ 69,526	$ 78,832	$ 168,604	$ 154,181

13. Commitments:

The Company has commitments of $5,079 (1998 - $17,882) with respect to equipment and construction in progress.

The Company rents premises and equipment under operating leases that expire at various dates up to April 2010. The aggregate minimum rentals payable for these leases are as follows:

2000	$ 3,039
2001	2,678
2002	1,971
2003	1,841
2004	1,501
Thereafter	4,962
	$ 15,992

14. Related party transactions:

During the year, the Company had sales of $5,422 (1998 - $5,666) and purchases of $655 (1998 - $223) with its parent company. Accounts receivable include amounts of $859 (1998 - $930) with the parent company. These transactions were made at market values with normal payment terms.

15. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. Although the change in date has occurred without any material issues arising so far, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers, or other third parties, have been fully resolved.

16. Contingency:

The Canada Customs and Revenue Agency is auditing certain of the Company's transfer pricing methodologies for the fiscal years 1992 to 1994. Although such matters cannot be predicted with certainty, management strongly believes that the outcome will not have a material adverse financial effect on the Company.

17. Comparative figures:

Certain comparative figures have been adjusted to conform to the presentation adopted in the current year.

BOARD OF DIRECTORS

Chairman, **A. Aarnio-Wihuri,** Helsinki, Finland, Chairman, Wihuri Oy

Vice Chairman, **J. Leppanen,** Helsinki, Finland, President and Chief Executive Officer, Wihuri Oy

J.R. Lavery, Winnipeg, Manitoba, President and Chief Executive Officer, Winpak Ltd.

E.A. Mercier, Toronto, Ontario, President, Finvoy Management Inc.

L.O. Pollard, Winnipeg, Manitoba, Chairman, Pollard Banknote Limited

E.R. Yarnell, Winnipeg, Manitoba, Lawyer, Fillmore Riley

EXECUTIVE COMMITTEE

The Executive Committee, in consultation with the Board of Directors, establishes the objectives and the long-term direction of the Company. The Committee meets regularly throughout the year to review progress towards achievement of the Company's goals and to implement policies and procedures directed at optimizing performance.

B.J. Berry, President, Winpak Division of Winpak Ltd.

G.L. Connaughty, President, Winpak Films Inc.

T.D. Herlihy, President, Winpak Portion Packaging, Inc.

M.G. Johnston, Vice President and Chief Financial Officer, Winpak Ltd.

R.L. Lapczynski, President, Winpak Technologies Inc.

J.R. Lavery, President and Chief Executive Officer, Winpak Ltd.

N.L. Rozek, Vice President, Technology, Winpak Ltd.

SHAREHOLDER INFORMATION

Audit Committee	E.A. Mercier, Chairman; A. Aarnio-Wihuri; E.R. Yarnell
Compensation Committee	J. Leppanen; E.R. Yarnell
Corporate Governance and Nominating Committee	L.O. Pollard, Chairman; A. Aarnio-Wihuri; E.R. Yarnell
Auditors	PricewaterhouseCoopers LLP, Winnipeg, Manitoba
Legal Counsel	Thompson Dorfman Sweatman, Winnipeg, Manitoba; Jones, Day, Reavis & Pogue, Atlanta, Georgia
Annual Meeting	The Annual Meeting of Shareholders will be held on Wednesday, May 24, 2000, at 4:30 p.m. at The National Club, 303 Bay Street, Toronto, Ontario.
Listings	Winpak Ltd. shares are listed as WPK on the Toronto and Winnipeg Stock Exchanges.
Transfer Agent	Montreal Trust Company

ASSOCIATED PACKAGING COMPANIES

WINPAK GROUP

Winpak Ltd.
Corporate Office
100 Saulteaux Crescent
Winnipeg, MB
Canada R3J 3T3
Tel. (204) 889-1015
Fax (204) 888-7806

Winpak Division
a division of Winpak Ltd.
100 Saulteaux Crescent
Winnipeg, MB
Canada R3J 3T3
Tel. (204) 889-1015
Fax (204) 832-7781

Winpak Inc.
P.O. Box 14748
Minneapolis, MN
U.S.A. 55414
Tel. (204) 889-1015
Fax (204) 832-7781

Winpak Heat Seal Packaging Inc.
21,919 Dumberry Road
Vaudreuil-Dorion, QC
Canada J7V 8P7
Tel. (450) 424-0191
Fax (450) 424-0563

Winpak Portion Packaging, Inc.
Head Office & Bristol Plant
2558 Pearl Buck Road
Bristol, PA
U.S.A. 19007-6896
Tel. (215) 781-8200
Fax (215) 781-8243

Winpak Portion Packaging, Inc.
Chicago Plant
3345 Butler Avenue
South Chicago Heights, IL
U.S.A. 60411-5590
Tel. (708) 755-4483
Fax (708) 755-7257

Winpak Portion Packaging Ltd.
Machinery Systems Plant
36 Tidemore Avenue, Bldg. C
Toronto, ON
Canada M9W 5H4
Tel. (416) 741-5232
Fax (416) 741-3753

Winpak Portion Packaging Ltd.
Rexdale Plant
26 Tidemore Avenue
Toronto, ON
Canada M9W 5H4
Tel. (416) 741-6182
Fax (416) 741-2918

Winpak Films Inc.
East & West Plants
219 Andrews Parkway
Senoia, GA
U.S.A. 30276-9703
Tel. (770) 599-6656
Fax (770) 599-8387

Winpak Lane, Inc.
998 S. Sierra Way
San Bernardino, CA
U.S.A. 92408
Tel. (909) 885-0715
Fax (909) 381-1934

Winpak Technologies Inc.
85 Laird Drive
Toronto, ON
Canada M4G 3T8
Tel. (416) 421-1700
Fax (416) 421-7957

American Biaxis Inc.
100 Saulteaux Crescent
Winnipeg, MB
Canada R3J 3T3
Tel. (204) 837-0650
Fax (204) 837-0659

WIHURI OY / WIPAK GROUP

Wihuri Oy Head Office
Wihurinaukio 2
FIN-00570 Helsinki
Finland
Tel. +358 9 415815
Fax +358 9 41582694

Wihuri Oy Wipak
Wipaktie 2
FIN-15560 Nastola
Finland
Tel. +358 3 468311
Fax +358 3 4683285

Wipak AB
Hallvägen 11, P.O. Box 5038
S-12105 Johanneshov
Sweden
Tel. +46 8 6590130
Fax +46 8 6598868

Wipak B.V.
Nieuwstadterweg 17
NL-6136 KN Sittard
Netherlands
Tel. +31 46 4529808
Fax +31 46 4581311

Wipak UK Ltd.
Unit 3, Buttington Business Park
Welshpool, Powys SY21 8SL
Great Britain
Tel. +44 1938 555255
Fax +44 1938 555277

Wipak Gryspeert S.A.
Zone des Bois, BP 6
59166 Bousbecque
France
Tel. +33 320 115656
Fax +33 320 115670

Biaxis Oy Ltd.
Teknikonkatu 2
FIN-15520 Lahti
Finland
Tel. +358 3 468312
Fax +358 3 4683700